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ABSTRACT

This document contains 29 two-page reports on credit, business credit, direct marketing, and real estate data prepared by the credit reporting company, TRW, for consumers. Topics covered are the following: consumer credit reports, how to obtain a copy of a consumer credit report, how credit bureaus compile consumer credit reports, the role of consumer credit bureaus, the benefits of consumer credit reporting, how companies make credit-granting decisions, how divorce affects consumer credit, the Fair Credit Reporting Act and consumers' rights, fair information practices, risk scores, credit repair clinics, account monitoring, cosigning a loan, correcting an error in a consumer credit report, direct mailing lists, questions about consumer credit reporting, employer use of credit reports in hiring decisions, combating credit fraud, preapproved credit offers, fair information values, business credit reports, how personal credit data helps business owners, TRW's role in mailing list preparation, how to "opt out" of direct marketing lists, how names get on mailing lists, fair information practices, how TRW facilitates real estate transactions, and how information providers help consumers buy and sell property. (KC)

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Reports on...

Credit and other financial issues

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Consumer Credit

Business Credit

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Direct Marketing

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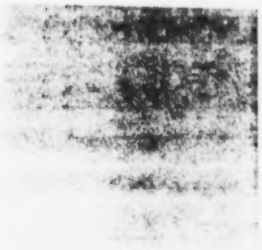
A typical consumer credit report contains identifying data, credit information, public record information and inquiries. It does not include details about your race, religion, medical history, personal lifestyle, political preference or criminal record.



WHAT IS A CONSUMER CREDIT REPORT?

If someone asked you to lend her money, what would you say?

The answer, of course, would depend on a number of factors:

Who is this person? Do you know her well? Is she really who she says she is? How much money does she want to borrow? Has she ever borrowed money from you before? Did she pay you back on time? Do you have money to lend? What will you do if she doesn't — or can't — pay you back?

Businesses ask much the same questions when consumers apply for credit. They get many of the answers by reviewing a copy of a potential borrower's consumer credit report.

A decision-making tool

If you are one of the 180 million people in the United States with a charge account, car loan, student loan or home mortgage, then information about you probably is stored in the TRW consumer credit database.

Most of the information in your consumer credit report comes directly from the companies you do business with. TRW compiles the data and then provides it to lenders when you ask for a new credit card or loan.

The credit report's purpose is to help a lender decide whether to grant you credit.

What a consumer credit report contains

The typical consumer credit report includes four types of information:

■ Identifying information: your name (including generation, such as Sr., Jr., III), nicknames, current and previous addresses, Social Security number, year of birth, current and previous employers and, if applicable, your spouse's name.

■ Credit information: the credit accounts you have with banks, retailers, credit card issuers and other lenders.

For each account, your credit report will list the type of loan (revolving credit, student loan, mortgage, etc.), the date you opened the account, your credit limit or loan amount,

the account balance, and your payment pattern during the past two years. The report also states whether anyone else besides you (your spouse or cosigner, for example) is responsible for paying the account.

- Public record information: state and county court records related to bankruptcies, tax liens or monetary judgments. In some states, credit reports list overdue child support payments.

- Inquiries: the names of all credit grantors and potential employers who obtained a copy of your credit report for any reason.

The inquiries section of your report contains a list of everyone who accessed your report for up to two years. (Federal law requires the two-year retention for employer inquiries but only six months for credit grantor inquiries.) These time periods protect you as a consumer or job applicant.

What's not in a credit report

Almost as important as what *is* in your credit report is what *isn't*.

Your TRW credit report does *not* contain any information about your race, religious preference, medical history, personal lifestyle, personal background, political preference or criminal record.

Most information is 'good'

Many people believe a credit report shows only negative information. Actually, most of the data TRW has on file is positive, indicating that the majority of people pay their bills on time.

In addition, TRW recently reformatted the consumer credit report to help you understand it better. Gone are the columns of numbers and codes. In their place are complete, easy-to-read sentences that take the guesswork out of understanding your report.

Your version of your credit report contains the same information as the credit grantor's version. It's just in a different format so that it makes sense to you.

The credit granting decision

Remember the friend who asked you to lend her money?

Before telling her your answer, you'll examine her request and decide whether she's creditworthy based on your own experiences, needs and financial abilities. If you decide not to lend her the money, perhaps someone else will be able to help her.

Similarly, when you apply for credit, different lenders may make different decisions based on the same information. What's different is the importance they give to specific factors — how long you've lived at the same address, for example, or the amount of unused credit you currently have.

In all cases, the credit bureau's role is only to provide credit information. TRW does not "rate" you as a good or bad credit risk. Nor does TRW take part in any credit granting decision. That's the sole domain of the lender.

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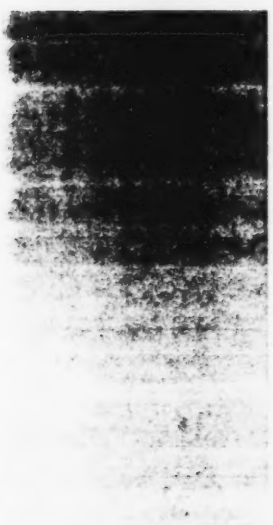
How to Get a Copy of Your TRW Consumer Credit Report

TRW makes getting a copy of your credit report easier than ever. In fact, there are three ways for you to obtain your report. Two of them won't cost you a cent.



Financial advisors recommend that credit-active consumers review their credit reports once a year. This is especially important for those planning a major purchase such as a house or car. It helps avoid unwelcome surprises.

As part of its business strategy of treating consumers as partners in the credit reporting process, TRW makes getting a copy of your credit report easier than ever.

In fact, there are three ways you may obtain a copy of your TRW credit report:

- free of charge, upon written request, once a year. TRW is the only credit reporting company offering consumers this complimentary report.
- free of charge, whenever your request for credit is denied, if you write or call us within 60 days of the denial.
- for a fee, which varies by state, if you haven't been denied credit and you've already received one complimentary copy of your credit report during the same calendar year.

In each case, TRW will mail your report within four days of receiving your request.

Essential facts

To provide you with a full and complete copy of your credit report, we need the following information:

- your full name (including generation, such as Jr., Sr., III);
- your current and previous addresses (for a five-year period) with ZIP codes;
- your spouse's first name, if married;
- your Social Security number; and
- your year of birth.

Yearly complimentary copy

To help you become more familiar with your personal credit history, TRW offers you one complimentary copy of your credit report each calendar year.

Please make your request in writing. In addition to the information listed in the "Essential facts" section above, you also must include:

- your signature; and
- proof of your current address, such as a photocopy of your driver license, current billing statement or other document that lists your name and address. (You may choose to mark through your account number.)

TRW requires this proof of identity for security reasons — to keep your financial data private.

Mail your request to: TRW Complimentary Credit Report Request, P.O. Box 2350, Chatsworth, CA 91313-2350.

Free copy

Federal law requires credit reporting agencies to provide you with a free copy of your credit report if you request it within 30 days of being denied credit. TRW has voluntarily doubled that time period to 60 days.

You may request your free credit report by writing to us:

TRW National Consumer Assistance Center
P.O. Box 949
Allen, TX 75002-0949

Please include the information listed in the "Essential facts" section on the previous page, your signature and a copy of the letter notifying you that your application for credit was denied.

Purchased copy

A third way to get a copy of your TRW credit report is to buy it. This method is for people who have not been denied credit recently or who already have received a complimentary TRW credit report during the same calendar year.

The cost is $8, plus applicable state tax, in all states except the following:

Maine	$2.00
Maryland	$5.25
Vermont	$7.50

Please make your request in writing. Include the information listed in the "Essential facts" section on the previous page, your signature and a check or money order in the appropriate amount. Mail to:

TRW National Consumer Assistance Center
P.O. Box 2104
Allen, TX 75002-2104

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How Credit Bureaus Compile Consumer Credit Reports

A credit report on a specific consumer doesn't really exist until a company that extends credit requests it. When that happens, TRW compiles the report from tens of thousands of possible information sources.

Many people have the misperception that TRW stores in its database separate files — or credit reports — on every consumer in America.

The truth is that a credit report on a specific consumer does not really exist until a credit grantor requests it.

Think of it like beef Stroganoff. You may have all the ingredients in your kitchen, but you can't have dinner until you combine them in the appropriate manner.

A credit report recipe

Similarly, all the "ingredients" of a consumer credit report are stored in TRW's national consumer credit database.

Information comes from tens of thousands of credit grantors — retailers, bankcard issuers, banks, finance companies, etc. — who send updates to TRW each month about how their customers use and pay their accounts.

TRW also collects public record data from state and county courts. This information is limited to bankruptcies, tax liens, monetary judgments and, in some states, overdue child support payments.

In addition, TRW stores consumer names, addresses, Social Security numbers, birth years and employment information. This data is reported to TRW by companies that extend credit. These companies get the information from credit applications.

Preparing the credit report

When Jonathan Q. Consumer goes to his local credit union to apply for a car loan, the credit union loan officer requests a credit report by giving TRW specific information from Jonathan's credit application: full name, full address, Social Security number and age.

Then, just as you collect the necessary ingredients when following a recipe, TRW collects all the relevant data about Jonathan Q. Consumer: credit and identification information as reported by lenders, public record data as reported by court systems, and TRW's own records of who else has received a recent copy of Jonathan's credit report.

In a few seconds, TRW provides the information to the potential credit grantor, who must have a permissible purpose under federal law before accessing credit information. The credit report plays a greater or lesser role in the credit granting decision, depending on the individual lender.

Creditors make decisions

Some lenders, for example, place more emphasis on income and job security — items that are not available in a credit report but are listed in a credit application. Others are more likely to extend additional credit to current customers than new applicants.

In our example, Jonathan Q. Consumer's credit union will either grant him the credit — and the car — he desires or not. Either way, TRW does not take part in — nor does it track — the final decision.

Reports are ever-changing

One more thing to keep in mind about credit reports: They don't stay the same for long. Because companies that extend credit continuously update their records, Jonathan Q. Consumer's credit report may be slightly different today than it was yesterday.

And if the credit grantor doesn't supply TRW with enough identifying information when requesting the report — or if Jonathan Q. Consumer applies for credit using different variations of his name — not all of his credit information will necessarily appear on his report.

That's because our friend Jon is one of 180 million consumers in TRW's database. There may be other Jon Consumers. There may be other Jonathan Q. Consumers. There may even be other Jonathan Q. Consumers living on the same street in the same city.

How to avoid mix-ups

To ensure that you get the credit you deserve, here are a few simple steps you can follow when applying for new credit:

- Always use the same name. In our example, Jonathan Q. Consumer should always use his full name with all of his credit accounts. He should not omit his middle initial in some accounts, use the name J. Quincy Consumer in some accounts or use his nickname, Jon, when applying for other accounts. Doing so can introduce inconsistencies in his report.

- Always provide your Social Security number when applying for credit. This helps prevent your credit information from being mixed up with other consumers in the United States with the same name.

- Always list your address and your previous addresses for the past five years. This will help TRW link together pieces of your credit history — even if you move across the country.

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Credit bureaus collect information about consumers' payment histories from companies that extend credit to those consumers. Bureaus do not decide whether you should be given a credit card, loan or line of credit; nor do they know the specific reasons why you are given or denied credit.

THE ROLE OF CONSUMER CREDIT BUREAUS

Consumer credit bureaus serve as central storehouses — or libraries — of credit repayment information. They collect the credit information from credit grantors such as banks, savings and loans, credit unions, finance companies and retailers.

Credit grantors then access this combined information from the bureaus to help them make financial decisions.

Prior to automation, merchants owned their own credit bureaus. They collected varying types of information on a local basis only. They stored the data on 3-by-5-inch cards in file cabinets.

As a result, obtaining credit was a much slower and inconvenient process. When consumers moved from one area to another, they had to establish a new credit history.

Computers revolutionize credit reporting

In the 1960s, credit bureaus introduced the central file, which allowed lenders to pool credit information. Computerized, on-line credit reporting systems soon followed.

Today there are three major nationwide credit bureaus, including TRW. In addition, many smaller, independently owned credit bureaus serve local markets.

Most of these smaller bureaus have contractual agreements with the three major bureaus. They even store data on the major bureaus' computer systems. The smaller bureaus have management control of their operations, however. Most also provide consumer assistance in their own geographic areas.

Bureaus help consumers

Credit reporting agencies help you get the credit you deserve quickly and easily, no matter where you go.

For example, credit reporting allows you to buy a car right off the lot, use a credit history built on the East Coast to buy a home on the West Coast, open instant charge accounts at department stores, select from the many credit and bank cards offered throughout the United States, and order and pay for an unlimited variety of products and services on credit.

Clearing up some myths

There are some things credit bureaus do *not* do, however. Here are a few:

■ A credit bureau does *not* decide whether you should be given a loan.

Only credit grantors make lending decisions. A bureau's business is credit *reporting*. It collects, stores and reports the relevant identifying and credit information of credit-active Americans. Using this information, credit grantors alone decide what standards you must meet to be granted credit.

■ A credit bureau does *not* know the specific reasons why you are given or denied credit.

The decision to give or deny credit rests with the credit grantor. The credit bureau does *not* track the decision a credit grantor makes after ordering a credit report, favorable or not.

■ A credit bureau does *not* collect information unrelated to your credit repayment performance.

Credit reports, as required by federal law, contain consumer identification (name, address, year of birth, Social Security number); information about loans, charge accounts and credit cards; and public record information limited to bankruptcies, tax liens and judgments.

Credit reports do *not* contain information about race, religious preference, medical history, personal background, political preference, personal lifestyle or criminal record.

■ A credit bureau does *not* allow everyone to see your credit report.

Federal law restricts who may see a copy of your credit report. Credit grantors, insurance underwriters and employers can obtain your report only in connection with a credit transaction, for employment purposes, to underwrite insurance or in connection with a legitimate business need. Credit bureaus also may release a copy of your report in response to a court order or federal grand jury subpoena.

If someone accesses your credit report for a reason other than that listed above, he or she is guilty of breaking a federal law.

Protecting your privacy

To guard against abuse and to protect your privacy, TRW requires the following of all businesses before allowing access to credit information:

■ proof of a permissible purpose under federal law;
■ a background check and on-site inspection of the business;
■ a current business license; and
■ a signed contract requiring the business to use the data properly.

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THE BENEFITS OF CONSUMER CREDIT REPORTING

In the United States, consumers complete few financial transactions by paying for the entire purchase with cash. We're much more likely to pay through negotiated credit terms. In fact, our ability to buy a home, purchase a car, fund a college education, travel and make routine purchases hinges on our use of credit.

Like the foundation of a building, an automated credit reporting system is the unseen structure that supports America's diverse economy and high living standards.

Without it, our complex system of commercial trading — buying and selling goods and services — would collapse.

Consumers in the United States complete few financial transactions by paying for the entire purchase with cash. We're much more likely to pay through negotiated credit terms.

In fact, our ability to buy a home, purchase a car, fund a college education, travel and make routine purchases for appliances, clothing or food hinges on our use of credit.

An economy without credit reporting

Living in a society driven by credit, we often overlook what we'd do without it. If there were no automated credit information services, for example, we'd find it much harder and time consuming to apply for credit.

- Retailers and banks would have to call each creditor listed on an application form to verify whether we were good credit risks.
- Costs for credit would be much higher to pay for this labor.
- Credit would not be as readily available to middle- and lower-income consumers.
- "Instant credit" would be an impossibility.

Options and choices

Because of an automated credit reporting system, you have unlimited options in your financial life. For example, you can:

- negotiate a deal for a new car and drive it off the lot within a few hours;
- purchase a home in one area of the country based on the good credit record you established while living in another part of the country;
- shop for and be offered financial services from institutions in other regions of the country;

- use a credit card to rent a video or travel to a favorite vacation destination;
- pay for emergency medical treatment; and
- catch an airplane at the last minute.

All these opportunities are possible because an automated credit reporting system works quietly in the background on your behalf.

Better customer service

The increased competition among financial services providers also increases the choices and benefits you receive as a consumer.

Lower interest rates, reduced annual fees, special toll-free customer service phone numbers, customer recognition programs, purchase protection plans — all of these consumer advantages result from the intense competitive marketing battles that credit reporting helps foster.

Fair credit decisions

In addition, automated credit reporting helps credit grantors make fair, accurate, consistent and objective credit decisions.

Automation standardizes credit reports and eliminates individual biases and judgments.

Privacy protections

Automated consumer credit reporting keeps your personal credit information private with a diverse system of safeguards and controls.

The federal Fair Credit Reporting Act, which governs credit reporting agencies, specifies that consumer credit information can be viewed only by companies that extend credit, employers or insurance companies — and only for legally defined permissible purposes.

Before it allows a business to access credit information, TRW requires:

- proof of a permissible purpose under federal law;
- a background check and on-site inspection of the business;
- a current business license; and
- a signed contract requiring the business to use the data properly.

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How Companies Make Credit Granting Decisions

For the most part, companies that extend credit review credit applications primarily in relation to risk. It doesn't matter how civic-minded you are or whether you're kind to animals. Hard facts count far more than mitigating circumstances.

Once upon a time, when people actually paid cash for products and services, you had to ask, "Do you accept (fill in the blank: Visa, MasterCard, Discover, American Express, Diner's Club, etc.)?" Now it's a given.

Today, many people carry only enough money in their wallets to make it to the next automated teller machine. They purchase gasoline, clothing, eye exams, vacations, groceries, concerts, office supplies — virtually everything — with credit cards. Plastic has evolved into the currency of choice.

Yet credit remains elusive and mysterious. How do financial institutions and other companies that extend credit decide whether to give you a loan or credit card?

What lenders look for

Potential creditors review credit applications primarily in relation to risk. It doesn't matter how civic-minded you are or whether you're kind to animals. Hard facts count far more than mitigating circumstances.

Lenders consider information such as your income, how long you've lived at your present address, what kinds of assets you have, the balances in your checking and savings accounts, your promptness in paying bills, how long you've been working at the same company, and how much you owe other creditors.

All of these factors fit into three categories: character, capacity and credit.

The three Cs

■ Character: Credit grantors develop a feeling of your financial character through such objective factors as length of residency and employment. They get this information from your credit application.

Depending on the type of loan, the amount of the loan and other factors, the potential lender may independently verify details on your application.

■ Capacity: Capacity refers to the amount of debt you can realistically pay given your income.

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Lenders look at your living expenses, current debts and the additional payments that the proposed new obligation would require. This information comes from your credit application and credit report.

■ Credit: Lenders also examine your existing credit relationships: credit cards, bank loans, mortgages, etc.

They ask questions such as: What are your credit limits? How close to those limits are your current balances? How long have you had each account? Do you pay your bills on time? The answers come primarily from your credit report.

A perfect credit report

Few lenders require a spotless credit history — one with virtually no late payments, unpaid bills, repossessions, accounts turned over to a collection agency, legal judgments, liens or bankruptcies — before granting credit.

When deciding whether to grant a loan, all lenders make a judgment about each applicant's character, capacity and credit. However, they use different criteria and make distinct decisions based on individual experiences as lenders.

In other words, a particular applicant might be granted credit from one lender but not from another.

For example, someone with problems in the past — a series of over-60-days-late payments, say, but a good payment record during the last 24 to 48 months — could be considered a good credit risk by some lenders.

On the other hand, someone who hasn't had any credit cards longer than six months but has run all of them to the limit might not be a good candidate for more credit.

Learning from credit denials

If your credit application is turned down, review the reasons. Determine if you can decrease your risk factors by paying off debt, for example, or maintaining your current payments over time.

If you've had credit problems in the past, it's important to remember that a better credit history can begin today.

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When you obtained credit, you signed a contract agreeing to pay your bills. A divorce decree doesn't change that contract. It's only fair for the company that extended you credit to collect what's due.

How Divorce Affects Consumer Credit

D-I-V-O-R-C-E can spell post-marriage headaches for the unwary. Of all the ills that divorce is designed to cure, credit problems can be the most nagging.

Why? Joint accounts mean joint liability. When you obtained credit, you and your spouse signed a contract agreeing to pay your bills. A divorce decree doesn't change that contract.

Following are several ways you can prevent credit obligations from making divorce more difficult than it is — and reestablish your own distinct credit lines after divorce occurs.

Talk it out

■ Communicate with your soon-to-be ex-spouse. Even in good times, many couples find it difficult to discuss money issues. When divorcing, it's more important than ever to put bitterness aside and make as clean a financial cut as possible.

■ Communicate with your creditors. Decide on which debt belongs to whom, then ask each company and bank that extended you credit to transfer the debt to the name of the person who will be responsible.

Creditors don't have to agree, and they may defer a decision until you prove you can handle the payments alone. But this is an excellent way to protect yourself from new liability and reestablish credit as an individual.

■ During divorce negotiations, keep your joint bills current, even if it means paying for your spouse. If you don't, your creditors could become more reluctant to release one party from joint liability.

Remember, joint bills are joint responsibilities. You obtained credit based on both of your incomes. It's only fair for the company that extended you credit to collect what's due.

Make it legal

■ If your ex-spouse assumes the major joint debts, this should be recognized as part of the support agreement.

If you can't convince your creditors to remove you from liability and your ex later goes bankrupt, you may be able to sue for that money should creditors pursue you. The reason: support agreements aren't dischargeable in bankruptcy.

■ Limit your liability by ensuring that your soon-to-be ex-spouse cannot charge on your accounts. Ask the credit grantor to remove your spouse's name as an authorized user.

■ If your spouse runs up large amounts of debt, you should cancel as many of the accounts as possible. Inform all creditors, in writing, that you are not responsible for these debts.

This may not prevent them from trying to collect, but it does show that you attempted to act responsibly.

■ Upon your divorce settlement, close your joint accounts and establish or reestablish credit in your own name.

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Federal law restricts who may see a copy of your credit report. You may request a copy, of course. But the Fair Credit Reporting Act prohibits others from seeing it without specific legitimate reasons.

THE FAIR CREDIT REPORTING ACT PROTECTS CONSUMERS' RIGHTS

The Fair Credit Reporting Act (FCRA) protects your rights as a credit-active consumer. Enacted by the U.S. Congress in 1970, the FCRA took effect in 1971.

Perhaps most important are the limits the law places on who may see a copy of your credit report. You may request a copy, of course. But no one else may legally review your report unless they intend to use the information:

- in connection with a credit transaction;
- for employment purposes;
- to underwrite insurance;
- in connection with a legitimate business need; or
- in response to a court order or federal grand jury subpoena.

If you apply for a government license or other benefit, a government agency may obtain a copy of your report to determine your eligibility — but only when the law requires the agency to consider your financial responsibility or status.

Anyone who knowingly and willfully obtains a credit report under false pretenses may be fined up to $5,000 and imprisoned up to one year.

Removing negative information

Another consumer protection of the FCRA prevents past errors from haunting you forever. The law requires credit bureaus to delete serious negative credit information from your credit report after a certain number of years.

Bankruptcies, for example, remain no more than 10 years. Tax liens, lawsuits and judgments are erased after seven years. Similarly, accounts placed for collection or written off by the creditor can stay on your report no more than seven years.

(State laws also govern the retention of data on your credit report. Whenever state laws are stricter than the federal law, TRW abides by the state laws.)

By requiring negative information to be deleted, the law allows credit-active consumers to rebuild a positive credit history over time.

Positive information stays on your report indefinitely.

Additional protections

Following are some of the FCRA's other consumer protections:

■ If you are denied credit, you may obtain a copy of your credit report free of charge if you ask for it within 30 days of the denial.

(TRW voluntarily extended this time frame to 60 days. In addition, TRW offers you one complimentary copy of your credit report annually, upon request. TRW is the only credit reporting agency to make this offer.)

■ When credit is denied based on information in a credit report, the credit grantor must tell you the name and address of the credit bureau used to secure the information.

Consumers are encouraged to review full copies of their reports before disputing any item.

■ Consumers may direct disputes to the credit reporting agency. The credit agency then must investigate the item within "a reasonable time." (TRW completes the process within 30 days.)

■ Your report must reveal who has received a copy within the past two years for employment purposes or within the past six months for any other purpose. (TRW also displays certain credit inquiries for two years.)

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Consumers value the many choices information use provides, but they also oppose information use that might disadvantage or embarrass them. This principle — that consumers want both choice and privacy — is the foundation of TRW's fair information practices.

Fair Information Practices Protect Consumer Privacy

Every day, various pieces of information are created, stored, transferred and used to help others complete transactions and make decisions about each of us.

The information is generated without our conscious effort. It occurs when we pay a bill, buy and register a car, move, have a baby or file an insurance form. Almost always, the information is used in a fashion that most Americans find acceptable and beneficial.

Information provides consumer opportunities

Most of us, for example, like the idea that information use makes it possible for us to visit the auto dealer on a Saturday, shop for a car and credit, and drive off the lot in our new pride and joy a few hours later.

But information also may be used in a way that makes us uncomfortable.

To dispel this anxiety and assure individuals that they are treated fairly, responsible companies develop fair information practices to guide their use of consumer databases.

What are fair information practices?

Fair information practices are codes of conduct for using information.

Once such set of guidelines is the fair information checklist developed by the Direct Marketing Association, an industry trade group. Association members follow the checklist to prevent any use of information that might harm consumers.

TRW, a DMA member, obeys these industry guidelines. TRW developed an additional set of values that goes even further in its guidance.

Privacy research and TRW's own dialogue with consumers clearly demonstrate two important points: consumers value the many choices information use provides, but consumers oppose information use that might disadvantage or embarrass them.

This principle — that consumers want both choice and privacy — is the foundation of TRW's fair information practices.

Consumer interests

Essentially, TRW's fair information practices guide the development of new or revised uses for consumer information. TRW managers are required to balance the proposed information use against six fundamental consumer interests.

The first of these interests are *for* consumer choice:

- Consumers want choices, and lots of them.
- Consumers want those choices to create value through a competitive marketplace.
- Consumers want fair treatment. They want to see and understand how others use information about them.

The second interests are *against* consumer disadvantage:

- Consumers do not want information used to disadvantage them.
- Consumers do not want information used to embarrass them.
- Consumers do not want to feel anxious or uncomfortable about information use.

Everybody wins

By following fair information practices, TRW managers have learned that everyone wins — consumers, businesses and TRW — when information use creates choice for consumers and limits disadvantage.

Several basic actions reinforce that fairness. TRW policy is to:

- comply with the letter and spirit of all laws that govern information use;
- remove consumers' names, upon request, from any TRW marketing list;
- provide consumers with copies of their credit reports — complimentary once each year and whenever they are denied credit — upon request;
- correct all consumer credit report errors within 30 days;
- acquire data only from organizations that are reputable;
- supply data only to organizations that follow our conditions; and
- treat all consumers with respect and courtesy.

Keeping it simple

Following fair information practices means respecting consumers' interest in using information in a positive, fair fashion.

Companies that follow appropriate fair information practices will be successful. Those that don't will fail.

This is TRW's belief — and its business strategy.

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Risk Scores: Taking a Credit Report's 'Temperature'

A risk score is a statistical summary of the information in your credit report. Banks and companies that extend credit use it to make faster, more accurate lending decisions. But just knowing your score tells you nothing about your ability to obtain credit.

Does a credit reporting agency "rate" your creditworthiness?

The answer to that commonly asked question is no. Credit reporting agencies provide objective facts describing a consumer's payment history. They do not recommend that lenders grant or deny credit to a particular consumer.

Keeping score of credit transactions

To help banks and companies that extend credit make financial decisions, however, credit reporting agencies often provide a risk score.

A risk score is a statistical summary of the information described in words and figures in a consumer's credit report.

Sophisticated mathematical processes calculate the summary by assigning numerical values to various pieces of information in a credit report. The result is a number — the risk score.

How risk scores are used

Credit grantors — retailers, bankcard issuers, banks, finance companies, etc. — use risk scores to help them objectively and accurately review an applicant's credit report. Risk scores also help lenders predict a consumer's future payment pattern.

Not all credit grantors are alike, however, and their use of risk scores differs. So any given risk score — 695, for example — may result in the extension of credit by one lender and a denial by another.

Understanding risk scores

How is this possible?

Think of risk scores as you do another objective measurement: the temperature. Let's say it was sunny today, with a high of 80 degrees. Is that good or bad?

The answer, of course, is an unqualified "it depends." If you held a picnic with family and friends today, 80 degrees is good. If your garden hasn't had rain for five months of

80-degree days, it's bad. If you stayed inside the entire day, it doesn't really make any difference.

In other words, the objective fact of 80 degrees can be viewed as either "good," "bad" or "neutral," depending upon your own experiences, needs and plans for the future.

Good, bad or indifferent

Similarly, different credit grantors can view the same risk score differently.

It all depends on their experiences with other consumers scoring in the same range, their marketing plans, their business niche and many other factors.

Complicating matters is the fact that there are many ways of developing risk scores.

One risk score model predicts the likelihood of a consumer declaring bankruptcy within the next two years; another makes a more generalized assessment of a consumer's future payment pattern.

The scores of one risk model range from 0 to 1,000, with 0 being ideal. The scores of another model range from 363 to 840, with 840 being ideal.

What does it mean?

The point is that just knowing your risk score tells you nothing about your ability to obtain credit.

Moreover, your risk score changes over time as you continue to develop your credit history.

For these reasons, your risk score does not appear on your credit report.

Advantages of risk scores

Still, risk scores help you as a consumer because they:

- are objective and precise, allowing credit grantors to treat all consumers consistently and fairly;
- eliminate individual biases and judgments from the credit granting decision;
- result in faster, more accurate credit decisions;
- help you get "instant credit" at retailers and car dealers;
- speed your loan application process for new homes; and
- reduce your cost of credit by empowering lenders to make the best, most efficient decisions.

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CREDIT REPAIR CLINICS: NO RX FOR BAD DEBT

Credit clinics promise miracle cures, but only time can heal bad credit. No one can remove accurate negative information from your credit report. If it contains inaccurate information, however, you can dispute it at no charge.

"Turned down because of bad credit? We can help!"

Buyer beware. The miracle cures promised on late-night television and in classified advertisements usually end with consumers as victims of malpractice.

Credit repair organizations, also known as "credit clinics," claim to remove negative information from a consumer's credit report. Or they promise a bankcard "regardless of previous credit history."

Their fees can be substantial, ranging from hundreds to thousands of dollars.

Corrupting consumer protections

Operating on the edge and even outside of the law, credit clinics abuse laws and policies established to protect consumers.

They flood credit reporting agencies' consumer assistance systems with multiple disputes, hoping that accurate negative information will be erased from a client's credit files.

This tactic rarely works. TRW — and other credit bureaus — are skilled at recognizing credit clinics, negating their success.

Costly for consumers, bureaus and lenders

Still, credit clinics have a powerful, negative impact on:

- their own clients, who learn an expensive lesson. Legitimate negative information remains on their credit files, and their fees are rarely refunded;
- credit bureaus, which waste time and money to review and respond to frivolous claims — estimated at up to 30 percent of the consumer assistance work load;
- lenders, who face greater difficulty making wise credit granting decisions without accurate, complete credit information. This increases the cost of credit for all consumers; and
- consumers with legitimate complaints, who lose the time and attention they deserve to solve their problems.

The only winners are the credit clinics themselves, which frequently collect their fees and move to new areas to cheat new consumers.

The credit repair truth

Credit clinics would never tell uninformed consumers these facts:

- Virtually everything a credit repair clinic does legally can be done by consumers themselves for free or at minimum cost.
- No one can legally remove *accurate* information from a credit report. Federal law provides that negative information can remain on the credit report for up to seven years (up to ten years for bankruptcies). So only time can erase bad credit.
- Any consumer can dispute *inaccurate* information at no charge. TRW credit reports contain an easy-to-complete dispute form to help consumers challenge inaccurate information.
- There are no miracle cures for bad credit. If you need help repaying creditors, managing debt or setting up a personal budget, contact Consumer Credit Counseling Services.

CCCS is a reputable, nonprofit organization with 1,100 offices throughout the United States, Canada and Puerto Rico. For the office nearest you, call 1.800.388.2227.

Lenders want to say 'yes'

Remember that credit grantors are in business to lend you money. However, their livelihood depends on extending credit only to consumers who repay their debts.

Accurate credit reports are one tool they rely on to make sound, fair decisions. If credit repair clinics' actions distort credit histories, creditors risk increased losses from bad debts. These losses will be passed on to other customers like you.

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Credit grantors use an automated process called account monitoring to review the payment performance and credit usage of their own customers. This process helps lenders reward customers who use credit responsibly and limit the financial risk associated with customers who don't.

ACCOUNT MONITORING REWARDS RESPONSIBLE BORROWERS

A mother might review her teenage son's timely attendance at the dinner table and his consistency in taking out the trash before deciding whether to continue weekend car privileges.

Before she increases his weekly allowance, however, she might consult other sources — his school report card, for example, or his football coach or music teacher.

Lenders track the credit performance of their card holders to make similar decisions in managing their financial risk.

But while they are familiar with the payment patterns of their own customers, they don't know how well those same customers pay other creditors or the total amounts their customers owe.

With details from other credit grantors, a lender might decide to increase an individual's credit limit, decrease it or even close an account.

Lenders monitor accounts differently

This review process is called account monitoring or account management. It's an automated process that scans customer credit reports for certain risk characteristics as defined by the creditor.

Different lenders depend on different pieces of information based on their individual experiences with their customers, their marketing plans, their tolerance for financial risk and many other factors.

Some credit grantors, for example, are concerned only about whether all of a consumer's payments are on time. Others look only at current account balances in relation to the total credit limit.

Some lenders review their accounts frequently. Others review accounts once a year, primarily to establish new credit limits.

Monitoring allowed by law

What gives lenders the right to look at an individual's credit history at any time?

First, federal law considers account monitoring to be a legitimate business activity. Second, you gave the lender permission to access your credit report from time to time when you signed your credit application.

Account monitoring helps you as a credit-active consumer. When lenders effectively manage the business risk of extending credit, their losses are minimized, and they don't have to pass others' bad debts on to you.

What are inquiries?

When a consumer's payment history is reviewed or monitored, an inquiry appears on the individual's credit report. The word *inquiry* refers to someone — you or a TRW customer — asking to view your credit report.

There are different types of inquiries: One is the account monitoring inquiry discussed above. Another occurs when a potential lender reviews your report after you apply for new credit.

At TRW, account monitoring inquiries stay on your report for six months. (In Maryland and Vermont, state law requires inquiries to remain for one year.) Most other inquiries remain on a credit report for one to two years.

Applying for new credit

When you apply for new credit, the potential lender will *not* see inquiries made for the purposes of account monitoring, unsolicited credit offers or your own request for a copy of your credit report.

This protects you as a credit-active consumer because excessive inquiries for credit purposes may make lenders uncertain about extending you additional credit.

Why? Inquiries indicate you've applied for new credit, which could result in additional debt. Therefore, potential lenders may view multiple recent inquiries on your credit report as a sign that you're beginning to overextend yourself.

On the other hand, account monitoring inquiries are not relevant to a potential lender because they do not indicate increased financial obligations. Therefore, lenders have no need to see them.

Consumers see all inquiries

You, however, have a right to see both types of inquiries, so both appear on your TRW credit report under the section "Your credit history was reviewed by:."

The first group of inquiries are those initiated by your requests for new credit.

Account monitoring inquiries appear second under this description: "The following inquiries are NOT reported to those who ask to review your credit history. They are included so that you have a complete list of inquiries."

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As a cosigner, you should know the purpose of the loan, the type of loan, the terms and why your friend or relative needs a cosigner. Remember: You are responsible for paying the debt if the borrower can't or won't make loan payments.

COSIGNING A LOAN PUTS YOUR CREDIT ON THE LINE

If a friend or family member asks you to cosign a loan, think twice. And then think again.

Some people who cosign loans don't take it seriously enough because they don't understand all their obligations.

Cosigning means responsibility

Cosigners lend their names and good credit histories to the primary borrower (called the maker). If that person dies, loses a job or otherwise fails to make payments, the cosigner is legally responsible to do so.

An often-overlooked aspect of cosigning a loan is the fact that the loan appears on both the maker's and cosigner's credit reports. If the maker doesn't pay, you will be notified. If you do not pay, the delinquency will be reported on your credit report.

It's your debt, too

Even if it is not delinquent, a cosigned loan is part of your credit history. That could cause problems if you wish to obtain a new loan for yourself. Since financial institutions consider a cosigned loan your responsibility, they'll include it when calculating your debt-to-income ratio.

This ratio is an important factor that financial institutions consider when deciding whether to grant a loan.

To calculate the ratio, the lender adds up all your monthly payments — credit card bills, mortgages, student loans, car loans, etc. — and divides the total by your monthly income. (Some lenders use gross income; others, net income.) The total amount of unused credit available to you also is considered in the equation.

The cut-off point varies widely among financial institutions and the type of loan. But if it's too high, the result is the same: your loan application will be denied — even when your friend or family member never misses a payment on the cosigned loan.

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So why do it?

Considering the risks, you may wonder why anyone would consider cosigning a loan. The answer hinges on how badly an individual wants the borrower to get credit and how much risk he or she is willing to take.

Often, parents cosign for their sons or daughters who have adequate income but a lack of credit or employment history.

By cosigning, parents help their offspring get the loan and, perhaps more importantly, establish credit in their own names.

To cosign or not to cosign

Before making a decision whether to cosign a loan, consider the following:

- Federal regulations do not require you to be related to the primary borrower to cosign a loan, but individual financial institutions may have stricter policies.
- Cosigners differ from joint applicants. When granting a cosigned loan, financial institutions qualify both persons individually. In other words, each must have adequate income to repay the loan. With joint loans, the incomes (and debts) of both people are combined, and the couple qualifies together. Most, but not all, joint loans are granted to married couples.
- As a cosigner, you should know the purpose of the loan, the type of loan, the terms and why your friend or relative needs a cosigner.
- Understand your legal and financial obligations. Federal law requires financial institutions to tell you in writing that you are responsible for paying the debt if the borrower can't or won't make loan payments.
- Read and understand the credit contract. Be aware that a lender may be able to collect from you even when there is security for the loan. In the case of a car loan, for example, the lender might demand payment from you instead of repossessing the car. And even if the car is repossessed, its value may not be sufficient to pay off the loan.
- In the case of a default, the credit grantor can demand payment from you without trying to collect first from your friend or relative.
- If your friend or relative defaults on the loan, you may have to pay late fees or collections costs in addition to the loan amount.
- If in doubt, don't cosign a loan.

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How to Correct an Error in Your Consumer Credit Report

TRW's consumer credit database is extremely accurate, but errors can appear for a variety of reasons. If they do, it won't cost you anything to dispute an inaccurate item. Simply call the toll-free phone number that's listed on your credit report to begin the process.

Complete accuracy in credit reporting is a goal TRW strives for every day.

As a consumer, whose payment patterns are detailed in credit reports, you insist on accuracy. You expect to be rewarded for your responsible use of credit with new financial opportunities and a higher living standard than anywhere else in the world.

The retailers, bankcard issuers, banks, finance companies and other businesses that purchase TRW credit reports also demand accuracy. It gives them confidence that they're making correct credit granting decisions.

Accuracy also benefits TRW. In fact, accuracy is absolutely critical to TRW's continued business growth and success.

Highly accurate data

By its nature, TRW's consumer credit database is extremely accurate because it contains data collected directly from credit grantors' billing records and public records.

Moreover, TRW spends millions of dollars a year refining its processes and developing ways to achieve 100-percent accuracy. Despite these efforts, however, errors can appear.

How mistakes happen

■ Sometimes a credit reporting agency's internal processes make mistakes when trying to create precision in an imprecise world.

Are John, Jack and Johnny — who live at the same address — the same person? Is the Mary Ellen Watson in San Diego in 1989 the same as Mary Ellen Watson in Los Angeles in 1990? And is the Richard Martin on Willow Street the same as the Richard Martin on Willow Avenue?

■ Sometimes human error is at fault. A clerk, for example, might make a typographical error or misread a hand-written credit application. In both cases, an incorrect letter or number can become part of a credit file.

■ Sometimes a consumer introduces errors into a credit report by obtaining credit

under different names (Robert and Bob, for example, Margaret and Peg, or J. Michael and James Michael), providing an inaccurate Social Security number when applying for credit, or omitting the "Senior" or "Junior" when father and son share the same name.

- Sometimes a consumer's payment history is reported to TRW incorrectly. That can occur because a payment is lost in the mail or applied to the wrong account.

Correcting errors

Regardless of how errors are made, federal law allows consumers to challenge inaccuracies and correct their credit files. Accurate, up-to-date information:

- pinpoints your identity in the credit database;
- ensures your credit report is complete;
- prevents credit information of people with similar names and addresses from being mixed in with your credit history; and
- helps potential credit grantors make lending decisions fairly based on your true credit history.

It doesn't cost you anything to dispute an inaccurate item in your TRW credit file. TRW performs this service free to consumers. Simply call the toll-free phone number that's listed on your credit report to begin the process.

We'll check your dispute with the source of the information. Then, within 30 days of receiving your comments, TRW will send you the results of our checking. We'll also enclose an updated copy of your report.

Streamlining disputes

There are three major players in the credit reporting industry: TRW, Equifax Inc. and Trans Union Corp. Most large credit grantors report their customers' bill-paying patterns to all three agencies.

Therefore, an error in one agency's records may be repeated in the other two files.

In the past, consumers found it necessary to dispute the same piece of information three times. That, increasingly, is no longer necessary.

Now, when many credit grantors correct an error in their records as a result of your dispute with TRW, they also will automatically report the change to the other two major credit reporting agencies. This way, errors are corrected in all three databases.

There is no charge for this industry-initiated service.

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TRW

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Advertising mail provides you choices, convenience and competitive offers that you wouldn't receive otherwise. If, however, you wish to eliminate your name from mailing lists, simply write a letter to the addresses included in this report.

How to 'Opt Out' of Direct Marketing Lists

Many people delight in the choices and opportunities that advertising mail provides. They look forward to receiving catalogs and other offers of interest. They appreciate the convenience of shopping from home, learning about new products and services, and selecting the most attractive rates and features of a new credit card.

Others, however, prefer not to receive direct mail offers. If you're one of them, you can "opt out" of most direct marketing lists.

Industry opt out lists

The Direct Marketing Association compiles lists of consumers who prefer not to receive advertising mail and/or telephone solicitations. DMA members, including TRW, use the DMA lists to remove names from their own mailing and telephone lists.

In addition, TRW has its own opt out list. We share the names of people who write to us with the two other major credit bureaus, Equifax Inc. and Trans Union Corp.

Once you write, you'll remain on the DMA list for five years and the TRW list indefinitely. It may take up to three months before you notice a significant reduction in the amount of direct mail and phone calls you receive.

Is opting out absolute?

Please be aware, though, that opting out will not eliminate solicitations from local merchants, religious and charitable associations, professional and alumni associations, and political candidates and office holders.

To eliminate mail from these groups — as well as mail addressed to "occupant" or "resident" — you'll need to write directly to each source.

If you are contacted by telephone and prefer not to be, the DMA suggests the following:

- Ask the representative to mail you information to consider at your leisure.
- Explain that you are not interested and ask to be removed from their calling list.
- Hang up the phone.

Think before you write

Before you pick up that pen, consider your opt-out decision thoughtfully. Think about the choices, the convenience and the competitive offers that direct mail brings you:

- money-saving coupons;
- convenient shopping from home;
- preapproved credit offers from retailers and bankcard issuers;
- invitations to special sales;
- home improvement, education, insurance and financial planning opportunities;
- club memberships;
- pressure-free comparison shopping;
- free trial offers on new products and services; and
- catalogs and magazines.

You may find that, after opting out, the mailings you receive are of less interest to you.

Worse, opting out of direct mail lists will virtually eliminate offers of credit and prevent the distribution of many mailings, such as catalogs and invitation-only offers, that you may enjoy receiving.

Opt out addresses

If you decide to opt out of direct mail solicitations, write a letter giving your complete name, name variations and mailing address to:

Mail Preference Service
Direct Marketing Association
P.O. Box 9008
Farmingdale, NY 11735

TRW Consumer Opt Out
TRW Target Marketing Services
701 TRW Parkway
Allen, TX 75002

To remove your name from many telephone solicitation lists, send your complete name, address and phone number with area code to:

Telephone Preference Service
Direct Marketing Association
P.O. Box 9014
Farmingdale, NY 11735

TRW Consumer Opt Out
TRW Target Marketing Services
701 TRW Parkway
Allen, TX 75002

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The right mailing list helps a business reach only those consumers who are likely to be most interested in its products. By eliminating consumers who don't fit a specific profile, a company can lower its marketing costs and pass the savings on to you.

How Does My Name Get on a Mailing List?

Back in the "old days" of direct marketing, businesses prepared a single mail piece, sent it to virtually everyone, then waited for consumers to buy.

Today, most companies develop a profile of their ideal customers and then create unique sales offers tailored to their needs. This approach is called target marketing.

It's a simple concept. A lawn mower business wastes money by sending promotions to apartment dwellers. A store specializing in children's apparel will do little business with childless households. And credit grantors will go bankrupt if they offer loans to people who don't pay their bills on time.

Targeted direct mail saves you money

The right mailing list helps a business reach only those consumers who are likely to be most interested in its products and services. Target marketing reduces "junk" mail — advertising mail that does not relate to your interests or needs.

By eliminating consumers who don't fit a specific profile, a company can mail fewer — but more effective — solicitations, lower its marketing costs and pass the savings on to you.

How your name gets on a list

There are three major ways your name might get put onto a mailing list:

■ Magazines, credit card companies, clubs and organizations, charities, manufacturers and retailers make lists of their subscribers, customers, members and donors available to other businesses for a rental fee.

If you subscribe to a magazine, have a credit card, belong to an organized group, donate money or return a warranty card for a purchase you made, your name will likely appear on these lists.

■ List compilers purchase information from various public and private sources to develop consumer databases for specific marketing purposes. (There are tens of thousands of list compilers, including TRW Target Marketing Services, a TRW Inc. business unit.)

Compilers rent their lists to a wide range of businesses and charitable organizations for marketing purposes. Nearly everyone's name appears on compiled lists.

■ Credit bureaus (including TRW Information Services, a division of TRW Inc.), under carefully controlled procedures, provide lists of creditworthy consumers to companies that offer credit. These are called "prescreened" lists.

If you have at least one credit card and pay your bills on time, your name will likely appear on prescreened lists. When it does, a company will send you a firm offer of credit. To obtain the credit, all you usually have to do is sign your name and mail your response back.

Prescreened lists

You can tell if your name is on a prescreened list by examining your mail.

Is it from a company that offers credit? Does it offer you credit? Is the offer preapproved rather than simply an invitation to apply for a credit card? If you answer yes to all three questions, you've received a prescreened offer.

Prescreening is the way that credit grantors — banks, retailers, credit card issuers, finance companies, etc. — offer preapproved credit cards and lines of credit to consumers.

To obtain the names of consumers for these offers, the credit grantor asks a credit bureau to select those consumers from its database (or from a list that the credit grantor supplies to the bureau) that meet specific credit criteria.

Prescreened lists give credit grantors confidence that their new customers will pay their bills on time. The lists provide convenience and opportunity to consumers who receive the prescreened offers.

Prescreened lists are legal under federal and state laws as long as all consumers who meet the predefined credit criteria receive the benefit of a firm offer of credit.

Protecting consumer privacy

When ordering a mailing list, marketers only want to know whether you fit a specific customer profile. They want to do business with you, not spy on you.

Our lawn mower company, for example, won't waste your time — or its money — contacting you if it knows you live in an apartment. But if you own your own home, you may very well be interested in its 25-percent-off end-of-summer sale.

Hands-off procedures

The entire process of ordering lists, generating mailing labels and sending offers to consumers is automated by the use of computer tapes and computer processing. Large numbers of names — from a few thousand to many million — are processed at one time.

Marketers don't review individual records. In fact, marketers rarely even obtain custody of consumer names. Third-party companies generally print mailing labels, attach the labels to the advertising mail and take the mail to the post office for delivery to your home.

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Our ability to [redacted] home, purchase a car, fund a college education, travel and make routine purchases for appliances, clothing or food hinges on our use of credit. Yet credit sometimes remains mysterious. Here are answers to some common questions about credit reports and credit granting.

Common Questions About Consumer Credit Reporting

What is a credit report?

A credit report is a tool that helps a credit grantor (retailer, bankcard issuer, bank, finance company, etc.) decide whether to give you credit. It includes:

- identifying information such as your name, address, Social Security number and year of birth;
- details about your loans, lines of credit and credit card accounts such as account balances, credit limits, loan amounts and your payment pattern during the past two years;
- public record information from state and county courts (limited to bankruptcies, tax liens and monetary judgments); and
- inquiries. When your credit history is reviewed for any reason, your report will contain a record of that access for up to two years.

How can you get a copy of your credit report?

It's smart to review your credit report to be sure it's complete and accurate. This is especially true if you're planning a major purchase such as a house or car.

TRW is the only credit bureau to offer you a complimentary copy of your report each year. For instructions on how to order, call 1.800.682.7654.

How are credit reports compiled?

Tens of thousands of credit grantors send information to TRW each month about how their customers use and pay their accounts. TRW also collects information from state and county courts.

All this data is put into our database. When you ask a lender for credit, the lender takes details you provide in your credit application and asks TRW for a full credit report. TRW then collects the appropriate information from various parts of the database and compiles the report.

How are credit granting decisions made?

When deciding whether to give you the credit or money you seek, potential lenders take into account your:

- character: your personal and financial stability as measured by how long you've lived at the same address and worked for the same employer;
- capacity: the amount of debt you can realistically pay given your income, current credit debt, other expenses and how much unused credit you currently could access; and
- credit: the relationships you have with other lenders as measured by how well you've handled past credit obligations.

Some of this information comes from your credit application, some from a credit report.

What are mortgage reports?

Mortgage reports are special credit reports that lenders order prior to deciding whether to give you a home loan.

Each report is a compilation of credit reports from two or three credit bureaus. The mortgage credit reporting company purchases the reports from companies such as TRW, combines them and manually verifies specific details such as employment, credit account balances and public record information.

Do credit bureaus make lending decisions?

Only credit grantors make lending decisions. A bureau's job is credit reporting. It collects, stores and reports the relevant identifying and credit information of credit-active Americans. Using this information, credit grantors alone decide what standards you must meet to be granted credit.

How do risk scores help lenders make decisions?

A risk score is a statistical summary of the information described in words and figures in your credit report. It is used to help a lender objectively and accurately review your report and predict your future payment pattern.

Because lenders can view the same score differently, it's impossible to say whether a particular score is "good" or "bad." The credit granting decision hinges on a lender's individual marketing plan, business niche, tolerance for risk and many other factors.

Since a risk-score tells you nothing about your ability to obtain credit, it is not included on your credit report.

Can "credit repair" clinics fix my bad credit?

Some consumers have paid so-called credit clinics hundreds and even thousands of dollars to "fix" their credit report, but only time can heal bad credit.

Federal law mandates the time periods that accurate negative information can remain on a credit report.

Any consumer can dispute inaccurate information at no charge. TRW credit reports contain easy-to-follow instructions for disputing inaccurate information.

If you need help repaying creditors, managing debt or setting up a personal budget, contact the nonprofit Consumer Credit Counseling Services. CCCS is a reputable, nonprofit organization. For the office nearest you, call 1.800.388.2227.

How can I obtain more information from TRW?

This issue of *Reports on Credit* is one in a series of educational materials published by TRW to help you better understand and take full advantage of the many opportunities available to you through the use of credit.

Also available are *Reports on Business Credit*, *Reports on Direct Marketing* and *Reports on Real Estate Data*.

For your own copy of these materials, call 714.385.7500 or write to: TRW IS&S Communications Department, 505 City Parkway West, Suite 300, Orange, CA 92668.

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Reports Help Employers Make Hiring, Promoting Decisions

A modified credit report called an employment report helps potential and current employers make hiring and promoting decisions. Traditionally, the biggest users of employment reports are companies in the defense, chemical, pharmaceutical and financial services industries.

You expect a bank or department store to look at your credit report when you apply for a loan or credit card. But what if you apply for a new job instead of new spending opportunities? Does your potential employer have a right to review your credit report?

The answer is yes. Federal law specifically allows potential and current employers to view a modified version of your credit report for employment purposes such as hiring and promoting.

This modified credit report is called an employment report. It includes much of the information about your loans and credit cards that is listed in your credit report. Federal law, however, prevents your marital status or year of birth from appearing on the report. To protect your financial security, TRW employment reports also omit your account numbers.

Who uses employment reports

Traditionally, the biggest users of credit reports for employment purposes are companies in the defense, chemical, pharmaceutical and financial services industries because of the sensitive positions many of their employees hold.

Increasingly, other industries use the reports to serve as a general indicator of an applicant's financial honesty and personal integrity.

What reports tell an employer

The employment report can help verify information on a job application and provide a clearer picture of an applicant. It also contains data that's relevant to a potential employer.

For example, the report lists an applicant's current employer, his or her financial obligations, public record information (bankruptcies, liens and judgments) and past-due amounts.

An applicant's payment pattern can demonstrate integrity. If the report indicates that personal finances are handled responsibly, the company can assume the individual will handle its financial affairs responsibly, too.

What reports don't tell an employer

It's important to remember one critical thing an employment report does not do: It does not tell a potential employer whether to hire an applicant or promote an employee.

An employment report typically is used in addition to application data, references or skills testing to help employers make the best, most objective hiring decision.

Consumer protections

Recognizing the sensitive nature of employment reports, legislators enacted several consumer protections. Among them:

- Federal law requires TRW to automatically notify consumers that their credit file was accessed for employment purposes if it contains derogatory public record information (bankruptcies, liens and judgments).
- If the employment report plays any part in a decision to deny employment, federal law requires the company to notify the applicant of his or her right to obtain within 30 days a free report from the credit reporting agency. (TRW voluntarily doubled this time period to 60 days. Some states require that the copy come directly from the employer. Some states also mandate the 60-day time period.)
- Some states, including California and Minnesota, require the employer to notify consumers before obtaining an employment report. They also require that the credit reporting agency provide a free copy of the report to the consumer at the same time.

TRW safeguards

In addition to state and federal requirements, TRW instituted several policies to protect consumer privacy and ensure accuracy. For example:

- TRW strongly recommends to employers that they not deny employment solely on the basis of an employment report.
- If the employment report contains information that causes a potential employer concern, TRW encourages the employer to give the applicant an opportunity to clarify the issue.
- When an employer obtains a copy of a credit report, that access is not shown on the credit report except when an applicant obtains the report directly from TRW. This protects consumer privacy because other employers or credit grantors will not be informed about job-related activities. (Information about employer access is located in the "inquiries" section of the consumer credit report. It remains on the file for two years.)
- TRW encourages employers to notify applicants that an employment report may be obtained before making a hiring decision. (Some states require this notification to be made on the employment application.)

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How to Combat Credit Fraud: A 3-Pronged Approach

Each member of the credit partnership — consumers, credit grantors and credit reporting agencies — has an important role to play in combatting the multibillion-dollar problem of credit fraud. But if fraud criminals still manage to victimize you, TRW's specialized fraud unit can help you restore your good credit quickly.

Credit card fraud is one of those crimes that doesn't really appear to hurt anyone in the long run. Unless we become victims, it's easy for us to remain unconcerned that *other* people lose $2 billion to $3 billion a year to credit card fraud artists.

In fact, all of us pay the costs of credit card fraud through higher prices, higher interest rates and increased inconvenience.

But no one needs to be passive. Each member of the credit partnership — consumers, credit grantors and credit reporting agencies — can do a lot to combat fraud.

Common sense for consumers

As a consumer, you can protect yourself against fraud by following these tips:

- Sign your new cards as soon as they arrive.
- Treat your cards like money. Store them in a secure place.
- Shred anything with your account number before throwing it away.
- Don't give your card number over the phone unless you initiate the call.
- Don't write your card number on a postcard or the outside of an envelope.
- Remember to get your card and receipt after a transaction, and double-check to be sure they're yours.
- If your billing statement is incorrect or your credit cards are lost or stolen, notify your card issuers immediately.
- Take advantage of TRW's complimentary credit report offer and request a copy of your credit report once a year. Reviewing your report will tell you if anyone has applied for credit in your name and whether any accounts are being used without your knowledge, with the billing statement being sent to a different address.

(TRW is the only national credit reporting agency that offers all consumers one complimentary report each year, upon request. Call 1.800.682.7654 for complete details.)

What TRW is doing to protect you

As a consumer, you want the unlimited choices and opportunities that credit provides you. You also expect your private information to be treated confidentially and securely.

Following are some of the measures TRW takes to protect you from fraud:

- To keep fraud criminals from obtaining valuable information, TRW drops several digits from each of your credit account numbers — or eliminates the numbers entirely — from the credit reports we provide credit grantors. (Your personal copy continues to contain your full account numbers.)

- Whenever TRW uncovers fraudulent activity, we alert other credit bureaus to prevent criminals from accessing consumer credit information from them. We also notify and provide special services to the affected consumers.

- To prevent unauthorized access to the credit database, TRW encourages lenders to use special computer terminals and software that limit access to credit reports. The majority of the credit reports sold by TRW are obtained through these secured-access terminals.

- Sophisticated software continually monitors access to the TRW database. When unusual activity occurs, our security and fraud control department investigates immediately.

- Before allowing a business to access consumer credit information, TRW requires proof of a permissible purpose under federal law; a background check and on-site inspection of the business; a current business license; and a signed contract requiring the business to use the data properly.

- TRW builds extensive barriers to prevent computer hackers from accessing consumer credit data.

What credit grantors are doing to protect you

Credit card issuers also take extensive steps to combat fraud. Among them:

- Adding your photograph, special characters or holograms (a dove that appears to fly when you tilt the card back and forth, for example) to your card to reduce counterfeiting.

- Requiring you to call an 800 number to verify your identity before using your card.

- Comparing all new credit applications against TRW and in-house databases of fraud criminals, known fraudulent addresses and other fraud-related information.

- Verifying your identity if you or someone posing as you change your address when returning a preapproved offer of credit.

- Notifying you that your card was sent. If you receive the notice but not the card, call the card issuer immediately.

Fraud unit helps you restore your good credit

If these measures fail to protect you from credit card fraud, TRW's specialized fraud unit can help you restore your good credit quickly by:

- immediately placing a security alert on your credit report. This alert, which warns potential credit grantors that your identification has been or is likely to be used fraudulently, stays on your report for 60 days;

- adding a victim statement to your report. This allows credit grantors to confirm your future credit applications by calling you at a day or evening phone number you designate. It can remain on your report, at your discretion, up to seven years;

- instantly analyzing many fraud claims over the phone, eliminating the need for you to supply extensive documentation; and

- resolving most fraud claims and removing fraudulent information within 10 days.

If you are a victim of credit fraud, call TRW at 1.800.422.4879.

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American [illegible] have more credit choices than anyone else in the world. These opportunities are a result of a marketing process called prescreening, which uses the consumer credit reporting database to provide you with lower rates, increased value and added convenience.

PREAPPROVED CREDIT OFFERS GIVE CONSUMERS ADDED CHOICE

If you're like most credit-active American consumers, you regularly receive direct mail solicitations from financial institutions, retailers and other businesses that offer you a preapproved credit card, auto loan, home equity loan or other line of credit.

Some of these offers come from established firms; some from companies that are just entering the competitive credit granting marketplace.

Did you ever wonder how you are selected to receive these offers?

The answer is found in a highly complex marketing process called prescreening. Prescreening benefits you as a consumer by increasing competition in the credit granting marketplace, thereby greatly expanding your ability to obtain credit:

- at a reduced price,
- with increased value,
- no matter where in the country you live, and
- without filling out lengthy application forms.

The purpose of prescreening

From the credit grantor's perspective, prescreening is a cost-effective way to secure new customers who are most likely to use credit wisely and repay their debts on time.

Prescreening allows the credit grantor to define an "ideal" customer for a particular credit offer, decide how much credit to give that customer, then send a preapproved offer to thousands — or even millions — of consumers who match this profile.

If you receive one of these preapproved offers, all you have to do to get the credit is sign your name and mail the offer back to the credit grantor.

How credit grantors define "ideal" customers

Different lenders define their "ideal" customer in vastly different ways. In general, they're interested in the number and types of credit accounts consumers have, how much they owe on their active accounts, how well they repay their debts and when their newest accounts were opened.

Lenders also take into account their own experiences: what types of consumers are most likely to be interested in their services; which ones pay their bills on time; and how frequently consumers use their credit cards or lines of credit once they receive them.

All of these factors — or criteria — are different for each credit grantor, and many credit grantors have multiple criteria for various types of financial offers. The criteria would be different for a standard credit card with a $1,000 credit limit, for example, than a preapproved car loan with a $20,000 limit.

Credit reporting agencies screen credit reports

The credit grantor provides the criteria to a credit reporting agency, such as TRW, with either a list of names or a series of zip codes. The credit reporting agency then finds consumers who fit the specified profile.

The result is a list of individuals who meet the credit grantor's criteria. This list includes identifying information (such as a consumer's name and address) and computed data (such as the ratio between available credit and credit outstanding).

In many cases, the credit reporting agency's work is the midpoint in the prescreening process. The agency generally supplies the list to a third-party processor — another company that further refines and segments the list based on demographic information and other analysis before mailing the credit offers to consumers.

Consumer protections and privacy

There are numerous consumer protections in the prescreening process:

■ Consumer credit information is coded. This prevents third-party processors from understanding the credit information and associating it with a particular consumer. Therefore, confidential financial information is never disclosed to the third-party processor.

■ Federal guidelines require that all consumers who are selected by the prescreening process receive a "firm offer of credit." In other words, credit grantors must follow through on their credit offers; they cannot refuse to grant credit to the consumer except in very limited circumstances such as when the consumer:

- is not old enough to create a valid contract;
- moves out of the service area;
- goes to jail;
- fraudulently alters information in his or her credit report;
- or experiences a significant change in credit status (such as filing for bankruptcy, having wages garnished or being foreclosed upon).

■ Federal law requires credit grantors to extend credit in a fair and consistent manner. This means they cannot take into account factors that are irrelevant to your credit history such as your sex, marital status, race or religion.

■ Consumers have the choice to "opt out" of all prescreening programs by writing to TRW. Send your full name and addresses for the past five years to:

Consumer Opt Out
TRW Credit Marketing
P.O. Box 919
Allen, TX 75002

The names of consumers who opt out with TRW will be shared with Equifax and TransUnion, the other two national credit reporting systems. The choice to opt out is an industry standard and required by some state laws.

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How [redacted] collected, [redacted] processed and used has changed forever. The tools business managers use to make choices and decisions about appropriate ways to use information also must change. That's why TRW established a values approach to decision making about information use.

Fair Information Values: A Road Map to Guide Decisions

Today's use of information technology has some observers decrying the loss of privacy in America.

The nature of information — what is collected, how it is stored and processed, how it guides marketing — has changed forever. The tools business managers use to make choices and decisions about appropriate ways to use information must change as well.

Fair information values guide decisions

On a business level as well as personal, values help individuals decide what they should and shouldn't do in new situations.

The broad use of automated information is fairly new to our society. Computers and telecommunications have made it easier to use information to benefit others. But it also is easier to harm others through information uses.

That's why TRW established a values approach to guide decisions on how to use information in this expanding marketplace. The values constitute a type of road map to ensure employees keep the business headed in the right direction, balancing the interests of consumers, credit grantors and credit reporting agencies.

Fair information values protect consumer interests

TRW's five fair information values are:

- Partnership: Information use must be a true partnership involving consumers, data users, data sources and TRW.
- Fairness: Information use should be fair from the consumer's perspective. There can be no secrets or harms, and consumers must be able to easily opt out of marketing uses of information.
- Balance: Both the consumer's economic and privacy interests should be respected.
- Education: The consumer's participation in the process must be based on knowledge and understanding.
- Dialogue: The views of all partners must be considered in developing the plans and

practices necessary to use values to make decisions.

Using these five simple values, employees can effectively reach almost any service decision.

How the values are used

Every time TRW employees are faced with making a decision on a new use of information, they evaluate that use against the five fair information values.

They do this by asking a series of questions to assure that the information service:

- meets the needs of all partners,
- is fair to consumers,
- is in balance, and
- provides the consumer with the knowledge to be a partner.

Sometimes the evaluation confirms the service is a proper use of information; sometimes it points out the need to revise the service; and sometimes it leads to the conclusion that the service isn't right for TRW or consumers.

More information is available

TRW has a booklet containing the full text of its fair information values. For a copy, please write:

Fair Information Values
TRW IS&S Communications
505 City Parkway West, Suite 300
Orange, CA 92668

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A typical business credit report contains company identification data, credit information, public record information, banking information, background about the business and, in some cases, financial statements.

WHAT IS A BUSINESS CREDIT REPORT?

If someone asked you to lend her money, what would you say?

The answer, of course, would depend on a number of factors:

Who is this person? Do you know her well? Do you trust her? How much money does she want to borrow? Has she ever borrowed money from you before? Did she pay you back on time? Do you have the money to lend? What will you do if she doesn't — or can't — pay you back?

Businesses and financial institutions have the same concerns when another business applies for credit. They get many of the answers by reviewing a copy of a potential borrower's business credit report.

A decision-making tool

More than 13 million businesses in the United States have established credit relationships with suppliers, wholesalers, manufacturers, banks, leasing companies and other financial institutions.

Business credit reporting agencies collect information about these credit relationships, compile the information in databases and then provide it to potential lenders when a company asks for a line of credit or business loan.

In the United States, the two largest business credit databases are owned by TRW Inc. and Dun & Bradstreet.

What a business credit report contains

The typical business credit report contains five types of information:

■ Identifying information: the company's name, address, telephone number and description of its primary business.

■ Payment information: details about the company's credit accounts with suppliers, banks, consultants, wholesalers, leasing companies and other firms that bill the business for goods and services.

For each account the company has, the credit report lists the last purchase transaction,

payment terms, credit limit or highest credit amount, account balance and how the company has paid on the account during the past 90 days.

TRW also lists the category of the business reporting the information; the date the information was reported; the average number of days a company pays its bills beyond the invoice due date; and a comparison of the company's payment pattern to its industry average.

- Public record information: federal, state and county court records related to bankruptcies, tax liens and monetary judgments. Uniform Commercial Code (UCC) filings indicate company assets pledged as collateral.

- Company background information: the company's incorporation date, its incorporation charter number assigned by its home state, profit status, principal officers and their titles, estimated number of employees, annual sales and its industry as represented by its Standard Industrial Classification (SIC) code.

- Additional data: A business credit history also may contain information on a company's banking relationships, unpaid accounts that were turned over to a collection department or agency, financial information and, on some reports, a company financial statement.

TRW business credit reports on publicly held companies include audited financial statements provided by Standard & Poors.

Most information is good

Many people think of a credit report as containing only negative information. In fact, most of the information contained in business credit reports is positive, indicating that the majority of businesses pay their bills in a timely manner.

A credit history is a prerequisite for businesses in search of money to grow, expand inventory, open new offices or increase research and development.

The business credit decision

Remember the friend who asked you for money?

Before telling her your answer, you'll examine her request and determine whether she is creditworthy based on your own experiences and financial abilities. If you turn down her request, perhaps someone else will be able to help her.

Similarly, different businesses reach different credit decisions based on the same business credit report. What's different is the emphasis each places on specific factors contained in the report.

In all cases, TRW's role is simply to provide credit information. TRW does not take part in the credit granting decision. That's the sole domain of the lender.

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How Personal Credit Data Helps Business Owners

To start or expand their businesses, many entrepreneurs depend on credit cards, home equity loans and personal lines of credit. While this approach is commonly used, there is a better way.

It takes money to make money, the old maxim goes, and it takes credit to get credit — especially in the business world.

Commercial credit grantors rely on business credit histories to support their lending decisions. If a business has no credit history or just a few established credit relationships, its chances of getting a loan or line of credit are greatly reduced.

So what's a cash-strapped entrepreneur to do when seeking operating capital to start or expand a business? One solution is to rely on personal credit — but not by maxing out credit cards or taking out home equity loans.

Consumer credit can help businesses

Yes, success stories about business start-ups financed with personal credit cards and second mortgages abound. For many entrepreneurs, personal debt seems the only way to finance their business dreams.

But doing so only delays the first steps that every business must take to establish its own credit history.

Consumer credit experiences, whether positive or negative, do not show up on a standard business credit history, so they have no opportunity to help the credit applicant and the credit grantor form a business relationship.

A better alternative is to use personal credit as a "reference" when applying for a small-business loan.

Lenders seek good credit risks

Ninety percent of all American businesses are classified as small (fewer than 25 employees; less than $20 million in annual revenues). Yet many fail within their first three years of operation, defaulting on their loans. That's why lenders are reluctant to loan money to start-up operations.

Still, most lenders would be eager to tap into the potentially profitable small-business market if they could find better ways to assess their credit risks.

Banks also have legal incentives to seek out small businesses. The federal Community Reinvestment Act and federal fair lending laws prevent discrimination in consumer and business lending.

If a business is too new to establish a credit history, some lenders — primarily banks — access the consumer credit reports of its owners.

Consumer credit information gives lenders solid information on which to base prudent business lending decisions. The reasoning is someone who handles personal credit obligations responsibly will handle business credit relationships in the same way.

Credit information on consumers, therefore, can expand a commercial lender's pool of business customers. It also helps lenders provide the money small businesses need to buy new equipment, hire new staff and increase production of goods and services.

How will this impact a personal credit file?

The federal Fair Credit Reporting Act, enacted by the U.S. Congress in 1970, regulates the consumer credit reporting industry. When a business applies for credit or a loan, the law permits the potential lender to access the personal credit information of:

- a proprietor of an unincorporated business
- a partner in a partnership
- a guarantor of a business loan

Before accessing personal credit information, however, the credit grantor must request a business credit report on the business in question. Moreover, the personal credit information must be used solely for a business credit transaction — not for personal, family or household purposes.

Credit grantors are not required by the Fair Credit Reporting Act to notify the proprietor that they used personal credit information to make the credit decision, but TRW recommends they do so in good faith.

If a lender acquires information from the proprietor's personal credit file, a record of that access (called an inquiry) will appear on the proprietor's personal credit file for up to two years.

It's just good business

Maintaining a good personal credit history can prove advantageous to entrepreneurs interested in pursuing a business venture. A good personal credit history demonstrates a record of responsible financial behavior to creditors, important in influencing both consumer and business credit decisions.

It's often the catalyst for helping an entrepreneur start or expand a new business with a less-costly commercial — not personal — loan or line of credit.

And it helps credit grantors expand their opportunity for sound commercial credit and lending relationships in the small-business market segment.

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TRW's Role in Mailing List Preparation

Once upon a time, we learned about new products almost exclusively through ads and commercials. Marketers sent their messages to everyone, even those who weren't interested. Direct marketing has changed all that.

Each of us regularly receives offers in the mailbox, but not all of us give a lot of thought to how they get there.

Why, for example, does so much of your advertising mail relate to things you're really interested in? How do marketers know you need a lawn service? Or that toys are a popular item at your house? Or that you're a PC buff?

Well, they don't know for sure. But with the right information, they can do some sound statistical guesswork and identify the people most likely to want certain products.

Marketers then send their offers to consumers who they believe will be interested. But if you're not interested and don't want to receive these direct mail offers, there is a way to take your name off most marketing lists.

Marketers satisfy consumers through information

Information about us is widely available. Most Americans list their addresses and telephone numbers in the phone directory, for instance.

Many of our activities and purchases are part of state and county public records. Examples include births, deaths, marriages and divorces; buying a car or home; getting a driver license; and registering to vote.

Businesses also collect information on their customers. When you subscribe to a magazine, buy from a catalog, join a professional association, get a credit card or donate to a charitable organization, you've established a relationship with a company that wants to keep your interest or business.

Most marketers, in their effort to find more people just like you to expand their clientele or membership, selectively trade or rent their customer lists to other businesses.

TRW's role in direct marketing

The availability of information is nothing new. What is new, and sometimes surprising to consumers, is how marketers use information to better serve their existing customers and find new customers.

TRW Target Marketing Services, like hundreds of list compilers and list managers, collects and stores raw data from multiple sources.

TRW then analyzes and organizes the information, creating marketing lists to help our nation's businesses make you an offer of value or bring a worthwhile cause to your attention. Here's what TRW has in its databases:

Public record information

- real estate transactions
- births
- deaths
- voter registrations
- driver license data
- motor vehicle registrations

Geo/demographic data

- family structure
- dwelling type
- age
- median income (derived from 1990 census data)

Purchased data

- questionnaire and survey responses
- subscription lists
- hobbies and interests

If a marketer already knows the profile of its ideal customers, TRW can provide a list of consumers based on characteristics such as geography, age, home ownership or declared interest in certain kinds of products.

TRW also can analyze a company's existing customer database to help it learn more about its customers — their average age, percent that are homeowners, estimated income level and presence of children, for example. This insight allows the marketer to select new prospects with the same characteristics as its current satisfied customers.

Information about their customers empowers marketers to plan new products and services to meet consumer needs. It also helps them communicate only with consumers who are most likely to be interested in their products and services.

This means offers for lawn service go to homeowners, not apartment dwellers. Invitations to visit toy stores go to families with children, not single professionals. And information about high-priced luxury items reaches people with the resources and interest to buy.

You have a choice

Advertising mail brings competitive choices for products and services directly to you at home. These choices make it convenient for you to comparison shop and take advantage of special offers.

But you also can choose not to receive most direct mail by opting out of direct marketing lists. You decide what works best for you.

How to opt out

You may opt out of TRW lists by writing to:
TRW Consumer Opt Out
701 TRW Parkway
Allen, TX 75002

You can opt out of most mailing lists by writing to:
Mail Preference Service
Direct Marketing Association
P.O. Box 9008
Farmingdale, NY 11735

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TRW

Reports on Direct Marketing

and other consumer financial information

How to 'Opt Out' of Direct Marketing Lists

Advertising mail provides you choices, convenience and competitive offers that you wouldn't receive otherwise. If, however, you wish to eliminate your name from mailing lists, simply write a letter to the addresses included in this report.

Many people delight in the choices and opportunities that advertising mail provides. They look forward to receiving catalogs and other offers of interest. They appreciate the convenience of shopping from home, learning about new products and services, and selecting the most attractive rates and features of a new credit card.

Others, however, prefer not to receive direct mail offers. If you're one of them, you can "opt out" of most direct marketing lists.

Industry opt out lists

The Direct Marketing Association compiles lists of consumers who prefer not to receive advertising mail and/or telephone solicitations. DMA members, including TRW, use the DMA lists to remove names from their own mailing and telephone lists.

In addition, TRW has its own opt out list that it shares with the two other major credit bureaus, Equifax Inc. and Trans Union Corp.

Once you write, you'll remain on the DMA list for five years and the TRW list indefinitely. It may take up to three months before you notice a significant reduction in the amount of direct mail and phone calls you receive.

Is opting out absolute?

Please be aware, though, that opting out will not eliminate solicitations from local merchants, religious and charitable associations, professional and alumni associations, and political candidates and office holders.

To eliminate mail from these groups — as well as mail addressed to "occupant" or "resident" — you'll need to write directly to each source.

If you are contacted by telephone and prefer not to be, the DMA suggests the following:

- Ask the representative to mail you information to consider at your leisure.
- Explain that you are not interested and ask to be removed from their calling list.
- Hang up the phone.

Think before you write

Before you pick up that pen, consider your opt-out decision thoughtfully. Think about the choices, the convenience and the competitive offers that direct mail brings you:

- money-saving coupons;
- convenient shopping from home;
- preapproved credit offers from retailers and bankcard issuers;
- invitations to special sales;
- home improvement, education, insurance and financial planning opportunities;
- club memberships;
- pressure-free comparison shopping;
- free trial offers on new products and services; and
- catalogs and magazines.

You may find that, after opting out, the mailings you receive are of less interest to you.

Worse, opting out of direct mail lists will virtually eliminate offers of credit and prevent the distribution of many mailings, such as catalogs and invitation-only offers, that you may enjoy receiving.

Opt out addresses

If you decide to opt out of direct mail solicitations, write a letter giving your complete name, name variations and mailing address to:

Mail Preference Service
Direct Marketing Association
P.O. Box 9008
Farmingdale, NY 11735

TRW Consumer Opt Out
TRW Target Marketing Services
701 TRW Parkway
Allen, TX 75002

To remove your name from many telephone solicitation lists, send your complete name, address and phone number with area code to:

Telephone Preference Service
Direct Marketing Association
P.O. Box 9014
Farmingdale, NY 11735

TRW Consumer Opt Out
TRW Target Marketing Services
701 TRW Parkway
Allen, TX 75002

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Reports on Direct Marketing

and other Consumer Financial Information

The right mailing list helps a business reach only those consumers who are likely to be most interested in its products. By eliminating consumers who don't fit a specific profile, a company can lower its marketing costs and pass the savings on to you.

How Does My Name Get on a Mailing List?

Back in the "old days" of direct marketing, businesses prepared a single mail piece, sent it to virtually everyone, then waited for consumers to buy.

Today, most companies develop a profile of their ideal customers and then create unique sales offers tailored to their needs. This approach is called target marketing.

It's a simple concept. A lawn mower business wastes money by sending promotions to apartment dwellers. A store specializing in children's apparel will do little business with childless households. And credit grantors will go bankrupt if they offer loans to people who don't pay their bills on time.

Targeted direct mail saves you money

The right mailing list helps a business reach only those consumers who are likely to be most interested in its products and services. Target marketing reduces "junk" mail — advertising mail that does not relate to your interests or needs.

By eliminating consumers who don't fit a specific profile, a company can mail fewer — but more effective — solicitations, lower its marketing costs and pass the savings on to you.

How your name gets on a list

There are three major ways your name might get put onto a mailing list:

■ Magazines, credit card companies, clubs and organizations, charities, manufacturers and retailers make lists of their subscribers, customers, members and donors available to other businesses for a rental fee.

If you subscribe to a magazine, have a credit card, belong to an organized group, donate money or return a warranty card for a purchase you made, your name will likely appear on these lists.

■ List compilers purchase information from various public and private sources to develop consumer databases for specific marketing purposes. (There are tens of thousands of list compilers, including TRW Target Marketing Services, a TRW Inc. business unit.)

Compilers rent their lists to a wide range of businesses and charitable organizations for marketing purposes. Nearly everyone's name appears on compiled lists.

■ Credit bureaus (including TRW Information Services, a division of TRW Inc.), under carefully controlled procedures, provide lists of creditworthy consumers to companies that offer credit. These are called "prescreened" lists.

If you have at least one credit card and pay your bills on time, your name will likely appear on prescreened lists. When it does, a company will send you a firm offer of credit. To obtain the credit, all you usually have to do is sign your name and mail your response back.

Prescreened lists

You can tell if your name is on a prescreened list by examining your mail.

Is it from a company that offers credit? Does it offer you credit? Is the offer preapproved rather than simply an invitation to apply for a credit card? If you answer yes to all three questions, you've received a prescreened offer.

Prescreening is the way that credit grantors — banks, retailers, credit card issuers, finance companies, etc. — offer preapproved credit cards and lines of credit to consumers.

To obtain the names of consumers for these offers, the credit grantor asks a credit bureau to select those consumers from its database (or from a list that the credit grantor supplies to the bureau) that meet specific credit criteria.

Prescreened lists give credit grantors confidence that their new customers will pay their bills on time. The lists provide convenience and opportunity to consumers who receive the prescreened offers.

Prescreened lists are legal under federal and state laws as long as all consumers who meet the predefined credit criteria receive the benefit of a firm offer of credit.

Protecting consumer privacy

When ordering a mailing list, marketers only want to know whether you fit a specific customer profile. They want to do business with you, not spy on you.

Our lawn mower company, for example, won't waste your time — or its money — contacting you if it knows you live in an apartment. But if you own your own home, you may very well be interested in its 25-percent-off end-of-summer sale.

Hands-off procedures

The entire process of ordering lists, generating mailing labels and sending offers to consumers is automated by the use of computer tapes and computer processing. Large numbers of names — from a few thousand to many million — are processed at one time.

Marketers don't review individual records. In fact, marketers rarely even obtain custody of consumer names. Third-party companies generally print mailing labels, attach the labels to the advertising mail and take the mail to the post office for delivery to your home.

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Fair Information Practices Protect Consumer Privacy

Consumers value the many choices information use provides, but they also oppose information use that might disadvantage or embarrass them. This principle — that consumers want both choice and privacy — is the foundation of TRW's fair information practices.

Every day, various pieces of information are created, stored, transferred and used to help others complete transactions and make decisions about each of us.

The information is generated without our conscious effort. It occurs when we pay a bill, buy and register a car, move, have a baby or file an insurance form. Almost always, the information is used in a fashion that most Americans find acceptable and beneficial.

Information provides consumer opportunities

Most of us, for example, like the idea that information use makes it possible for us to visit the auto dealer on a Saturday, shop for a car and credit, and drive off the lot in our new pride and joy a few hours later.

But information also may be used in a way that makes us uncomfortable.

To dispel this anxiety and assure individuals that they are treated fairly, responsible companies develop fair information practices to guide their use of consumer databases.

What are fair information practices?

Fair information practices are codes of conduct for using information.

Once such set of guidelines is the fair information checklist developed by the Direct Marketing Association, an industry trade group. Association members follow the checklist to prevent any use of information that might harm consumers.

TRW, a DMA member, obeys these industry guidelines. TRW developed an additional set of values that goes even further in its guidance.

Privacy research and TRW's own dialogue with consumers clearly demonstrate two important points: consumers value the many choices information use provides, but consumers oppose information use that might disadvantage or embarrass them.

This principle — that consumers want both choice and privacy — is the foundation of TRW's fair information practices.

Consumer interests

Essentially, TRW's fair information practices guide the development of new or revised uses for consumer information. TRW managers are required to balance the proposed information use against six fundamental consumer interests.

The first of these interests are *for* consumer choice:

- Consumers want choices, and lots of them.
- Consumers want those choices to create value through a competitive marketplace.
- Consumers want fair treatment. They want to see and understand how others use information about them.

The second interests are *against* consumer disadvantage:

- Consumers do not want information used to disadvantage them.
- Consumers do not want information used to embarrass them.
- Consumers do not want to feel anxious or uncomfortable about information use.

Everybody wins

By following fair information practices, TRW managers have learned that everyone wins — consumers, businesses and TRW — when information use creates choice for consumers and limits disadvantage.

Several basic actions reinforce that fairness. TRW policy is to:

- comply with the letter and spirit of all laws that govern information use;
- remove consumers' names, upon request, from any TRW marketing list;
- provide consumers with copies of their credit reports — complimentary once each year and whenever they are denied credit — upon request;
- correct all consumer credit report errors within 30 days;
- acquire data only from organizations that are reputable;
- supply data only to organizations that follow our conditions; and
- treat all consumers with respect and courtesy.

Keeping it simple

Following fair information practices means respecting consumers' interest in using information in a positive, fair fashion.

Companies that follow appropriate fair information practices will be successful. Those that don't will fail.

This is TRW's belief — and its business strategy.

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TRW·REDI

Reports on Real Estate Data

and other consumer financial information

With quick access to information, real estate professionals benefit you as a consumer by making home buying and financing easier, faster, more economical, and safer from errors and fraud.

How TRW REDI Facilitates Real Estate Transactions

As home buyers and sellers, we depend on real estate professionals — agents, brokers, property appraisers, attorneys, escrow companies, title insurance companies, mortgage lenders, investors and others — to complete our real estate transactions for us.

To do their jobs effectively and inexpensively, real estate professionals need quick, easy access to property data.

Recognizing the importance of open records, nearly every state classifies property information as part of the "public record." This means anyone can visit the appropriate government office to view the documents.

Often, however, finding the correct documents and obtaining relevant information from them are difficult and time-consuming tasks. As a result, professional groups and private companies developed ways to better organize and access information in property-related public documents.

Information use promotes home ownership

These professional groups (primarily associations of real estate agents) and private companies (including TRW REDI Property Data) often combine the information collected by governments with relevant data from other sources.

The property data providers then join other members of the real estate industry to help make home ownership a reality for people who aspire to the American dream.

Specifically, the partnership between real estate professionals and property data providers benefits you as a consumer by making home buying and financing:

- easier: Instead of consulting various sources for information, real estate professionals consult a single source;
- faster: Real estate professionals access information in their own offices rather than at various government offices;
- more economical: Property data providers collect and store information efficiently and inexpensively. It's cheaper for real estate professionals to purchase information from property data providers than to collect and store it themselves; and

■ safer from errors and fraud: Property data providers dedicate their staffs to collect, record and check information for accuracy.

Consumers benefit from information use

Easy access to property data benefits you as a consumer. It:

■ expands and speeds your ability to buy and sell real estate;

■ helps you learn and monitor the market value of your most expensive asset; and

■ decreases your administrative costs of buying and selling real estate by helping real estate professionals provide their services to you more quickly and effectively.

Types of information in the TRW REDI database

TRW REDI Property Data is the largest provider of real estate information services in the United States. It collects data from 300 county and municipal government offices in 34 states. Its database contains details about 50 million properties, including:

■ names of property owners;
■ dates when properties were purchased;
■ purchase prices and mortgage information;
■ property characteristics such as square footage and number of rooms;
■ legal descriptions of property location; and
■ the presence of liens and mortgages.

(TRW REDI collects information only from government documents, so it does not have information about whether a home is for sale or its asking price. That information is collected and stored by associations of real estate agents.)

Almost half of TRW REDI's employees are involved in compiling information, ensuring its accuracy and matching real estate transactions to the correct property.

Consumer privacy protections

TRW REDI considers consumers to be partners in the use of information. Whenever employees evaluate a potential new information service, they ask a series of questions to assure the service is:

■ fair to consumers;
■ balances consumers' information and privacy needs; and
■ provides consumers with the knowledge to be a partner.

The use of fair information values and practices to protect individual privacy is a basic element of how TRW REDI conducts its business.

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How Information Providers Help You Buy, Sell Property

Real estate information providers such as TRW REDI Property Data are an essential element of the home buying and selling process. Information providers help real estate professionals help you complete each stage, from locating a home to closing the sale.

There are six major steps to buying a home, and real estate information providers play an essential role in making home ownership easier, more economical and safer.

The six steps are:

- searching for the right home;
- negotiating a purchase price;
- obtaining a loan;
- appraising the property;
- reviewing the property's ownership history; and
- closing the sale.

Searching for the right home

When helping you search for a new home, a real estate agent often accesses a real estate information service to get details about the homes in whatever neighborhood you select.

Whether operated by a real estate agent association or private company such as TRW REDI Property Data, the information service quickly tells you how much homes have sold for in an area. Property data services operated by real estate agents can tell you the asking prices of homes listed for sale.

Also available through real estate information services are specific details about a property: its location, its size, the number of bedrooms and bathrooms, whether there is a pool, etc.

If you haven't decided upon a specific neighborhood, property data services can help your real estate agent direct you to areas of homes with features you prefer and in the price range you can afford.

In short, a property data service saves you and your real estate agent time and money. It provides you the information you need to make decisions faster, and it enables you to learn about neighborhoods and homes that you otherwise might overlook or never know about.

Negotiating a purchase price

Once you find a home you'd like to buy, a property data service can tell you and your real estate agent the sales prices of other homes in the surrounding area.

This gives you the knowledge and the confidence to offer a fair, competitive, market-based bid on the property you'd like to purchase. (It also enables a seller to set a reasonable market-based asking price that can quicken the sales process.)

Obtaining a loan

When the time comes for you to apply for a loan, your mortgage lender may access a property data service to give you a quick estimate of the property value and the loan amount you can qualify for.

Quick loan approvals, made possible by property data services, give lenders a competitive advantage and keep you from losing out to another buyer who can arrange faster financing.

Appraising the property

Professional appraisers visit a home and examine information from property data services before estimating the fair market value of the property being purchased.

The appraisal is a necessary part of the loan approval process. It helps the mortgage lender establish sound loan limits for the type of property being financed. It also protects you against unknowingly paying too high a price for the home you wish to buy.

Reviewing the property's ownership history

Once you and the seller agree on a purchase price, and a lender agrees to finance the purchase, a title insurance company or real estate attorney will review the property's ownership history (called a "chain of title").

This activity assures you and your lender that the sale is legal and that others don't have ownership claims to the same property.

Property data services enable attorneys and title companies to quickly and inexpensively spot claims against a property that could complicate or prevent a sale — or cause you trouble months or even years later.

Closing the sale

When you're through signing your name to various forms and documents, further activities are set in motion. Included are the filing of documents with county officials closing the sale and listing you as the new property owner. Your lender will file documents listing it as the mortgagor of the property.

And then the cycle continues.

Property data providers will capture this updated information as part of their responsibility to track and record real estate activity. Then, prospective home buyers in your new neighborhood will be able to make intelligent decisions based on the same quick, accurate, easy-to-access information that enabled you to buy your own piece of the American dream.

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